

February 25, 2022

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Notice Regarding Introduction of Trust-Type Employee Shareholding Incentive Plan (E-Ship®)

Azbil Corporation (the “Company”) announces that it has resolved, at its Board of Directors meeting held on February 25, 2022, to introduce an “Trust-Type Employee Shareholding Incentive Plan” (“E-Ship®”), aiming to incentivize employees of the Company and domestic group companies (“Employees”) to, among other things, improve the corporate value of the Company’s group on a mid-long-term basis.

Additionally, the timing of setting up the trust for E-Ship®, the total amount of money borrowed by the Fund under E-Ship® and the allotted period of E-Ship® will be disclosed separately once determined.

1. Purpose of Introduction of E-Ship®

The Company’s group announced in May 2021 that it established “New Long-term Targets (for fiscal year 2030)” as well as a “New Medium-term Plan (for fiscal years 2021 to 2024)” with the aim of achieving growth and contributing “in series” to the achievement of a sustainable society by providing automation-related products and services. Based on the philosophy of “human-centered automation,” the Company’s group aims to attain its mid-long-term growth and sustainable improvement of its corporate value.

Based on this management philosophy, to realize the “New Long-term Targets (for fiscal year 2030)” and the “New Medium-term Plan (for fiscal years 2021 to 2024),” the Company has resolved to introduce E-Ship®, through its employee stock ownership association, to incentivize Employees to improve the corporate value of the Company’s group on a mid-long-term basis. While the “Employee Stock Benefit Program (J-ESOP)” for employees of the Company previously was introduced in May 2017, by the introduction of E-Ship®, the Company believes that all Employees in the “azbil Group Employee Stock Ownership Association” (the “Stock Ownership Association”) will gain the opportunity to further increase their savings accumulation and E-Ship® will contribute to promoting initiatives to improve the corporate value.

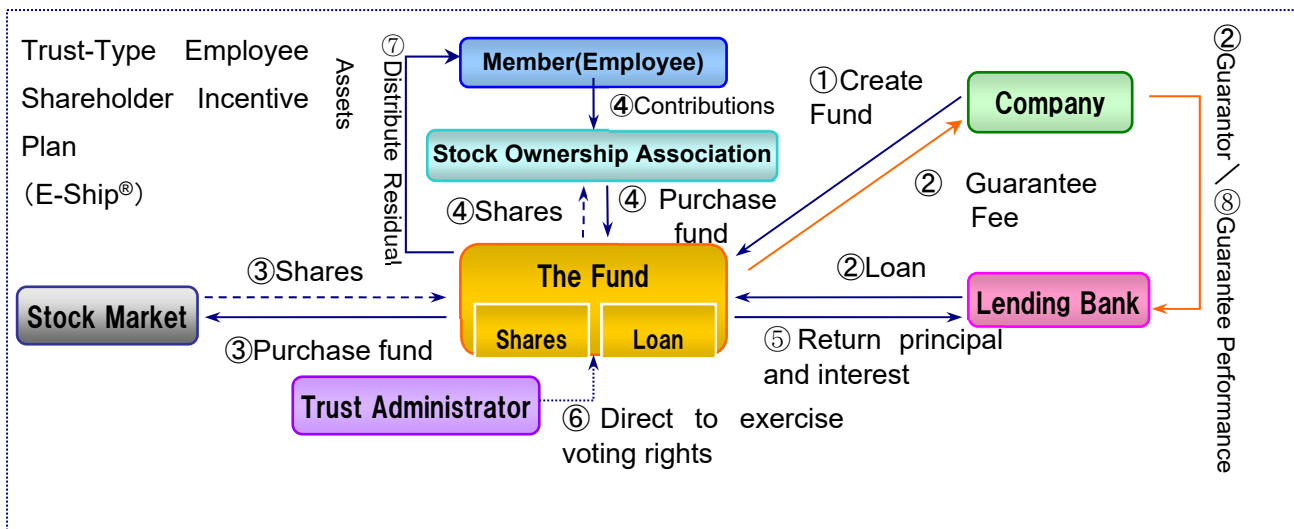
2. Overview of E-Ship®

E-Ship® is an incentive plan for all Employees in the Stock Ownership Association. E-Ship® will authorize an

“azbil Group Employee Stock Ownership Association Trust Fund” (the “Fund”), through a trust bank fund and the Fund will acquire the Company’s shares in advance (currently estimated to be the equivalent of approximately 4.5 billion JPY) for a set period of time (currently estimated at approximately three years) during which the Stock Ownership Association will purchase those shares from the Fund. The Fund will consistently sell the Company’s shares to the Stock Ownership Association. If the Fund has accrued the amount of money equivalent to profit on sales of shares at the end of its term, such amount will be distributed as residuary assets to eligible recipients. On the contrary, as the Company will become a guarantor to the loan to purchase shares for the Fund, if the Fund accrues losses due to reductions in the Company’s share price, the Company will be responsible for the liquidation of all debts from the loan associated with the loss from sales at the end of the term of the Fund.

E-Ship® is designed, as an expansion of employee benefit, to assist Employees in accumulating savings by promoting the acquisition and holding of shares through the Stock Ownership Association. In addition, E-Ship® is intended to incentivize Employees to enhance the corporate value of the Company’s group on a mid-long-term basis.

3. E-Ship® Scheme



- ① The Company will establish the Fund (other beneficiary trust) for the qualified beneficiaries in the Stock Ownership Association.
- ② The Fund will borrow necessary funds from the lending bank to purchase the Company's shares for which loan the Company will be the guarantor. The Company will receive guarantee fees from the Fund.
- ③ The Fund will acquire the expected number of the Company's shares to be acquired by the Stock Ownership Association from the stock market throughout the Trust Term.
- ④ The Fund will sell shares acquired in ③ throughout the Trust Term on an ongoing basis at market value to the Stock Ownership Association according to its plan (regarding conditions and methods).
- ⑤ The Fund will repay its interest on the loan through profits from the sales of the Company's shares and dividends received of the shares held.
- ⑥ The Fund will exercise its voting rights with respect to the shares held as directed by the Trust Administrator selected for beneficiaries.
- ⑦ Any residual assets in the Fund at the end of the Trust Term will be distributed to those who satisfy the beneficiary eligibility requirements.
- ⑧ If any loan remains at the time of the end of the Trust Term, the Company will make all necessary reimbursements in accordance with the guarantee described in ②.

4. Overview of the Fund

- (1) Name: azbil Group Employee Stock Ownership Association Trust Fund
- (2) Consignor: The Company
- (3) Assignee: The Nomura Trust and Banking Co., Ltd.
- (4) Beneficiary: Those who meet the criteria to become a beneficiary (will become a beneficiary after a formal procedure once the criteria are met)
- (5) Trust Contract Date: TBA
- (6) Trust Term: TBA
- (7) Purpose of Trust: To consistently and stably provide shares to the Stock Ownership Association and trust assets to all qualified beneficiaries

(Reference)

E-Ship® is a trademark of Nomura Securities Co., Ltd.

E-Ship® (Employee Shareholding Incentive Plan) is a new incentive plan for employees that applies an ESOP (Employee Stock Ownership Plan) system that has been prevalent in the United States. E-Ship® was developed by Nomura Securities Co., Ltd. and The Nomura Trust and Banking Co., Ltd utilizing the system of Stock Ownership Association.

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